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Message Text

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10
ACTION NEA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 PM-03 NSC-05 SS-15 PA-01 PRS-01

USIA-06 /077 W
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R 160727Z MAR 75
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 625

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DEPARTMENT PASS EX-IM BANK

E.O. 11652: N/A
TAGS: ECON, EFIN, IR
SUBJ: PARTIAL WORKER OWNERSHIP OF IRANIAN INDUSTRIES

REF: (A) STATE 50479; (B) STATE 52637

1. SUMMARY: THE GOI HAS NOT PUBLISHED REGULATIONS INDICATING HOW THE SCHEME MENTIONED BY THE SHAH IN HIS MARCH 2 SPEECH TO ENCOURAGE WORKER PARTICIPATION IN SHAREHOLDING WILL BE IMPLEMENTED. FOREIGN FIRMS SEEM UNLIKELY TO BE AFFECTED. END SUMMARY.

2. THE OFFICIAL GOI POLICY TO ENCOURAGE WORKERS TO BUY SHARES OF THE FACTORIES WHERE THEY ARE EMPLOYED HAS BEEN IN EFFECT FOR SEVERAL YEARS. IN PROCTICE, VERY SMALL AMOUNTS OF SHARES IN MANUFACTURING ENTERPRISES SEEM TO BE OWNED BY EMPLOYEES. NO STATISTICS HAVE EVER BEEN PUBLISHED, AND PAST EMBASSY EFFORTS TO FIND OUT ABOUT THE EXTENT OF WORKER PARTICIPATION IN SHAREHOLDING HAVE MET WITH EITHER NO RESPONSE OR VAGUE GENERALITIES.

3. IN HIS MARCH 2 SPEECH THE SHAH SAID THE GOVERNMENT WOULD BE
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INSTRUCTED TO "FINISH THE STOCK SHARING SCHEME IN FOUR YEARS."

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ACCORDING TO THE UNOFFICIAL ENGLISH TRANSLATION APPEARING IN "KAYHAN INTERNATIONAL," HE ALSO SAID SUCH FACILITIES AS INTEREST FREE LOANS OR ADVANCES ON PROFIT SHARING WOULD BE PROVIDED WORKERS TO ENABLE THEM TO PURCHASE SHARES. THE GENERAL PUBLIC WOULD BE OFFERED "WHATEVER SHARES REMAIN" AND A LIMIT WOULD BE PLACED ON THE NUMBER OF SHARES WHICH COULD BE BOUGHT BY ANY ONE INDIVIDUAL.

4. TURNING TO PUBLIC SECTOR MANUFACTURING CONCERNS, THE SHAH SAID THAT WITH THE EXCEPTION OF "OIL AND OTHER KEY INDUSTRIES" 99 PERCENT OF THEIR SHARES WOULD BE SOLD WITH 49 PERCENT TO THE WORKERS AND 50 PERCENT TO THE PUBLIC. THE GOI, OF COURSE, WOULD RETAIN MANAGEMENT RIGHTS. THE SHAH ALSO STATED THAT A MONTLY MINIMUM WAGE OF RLS 12,000 (ABOUT DOLS180) WOULD BE IN EFFECT BY THE END OF THE FIFTH DEVELOPMENT PLAN IN MARCH, 1978. THIS ALSO IS A GOAL MENTIONED ON PREVIOUS OCCASIONS.

5. EMBASSY ENQUIRIES HAVE ASCERTAINED THAT NO REGULATIONS HAVE YET BEEN PUBLISHED GIVING DETAILS OF HOW THE SALE OF SHARES TO EMPLOYEES WILL BE CARRIED OUT. WITHOUT SUBSTANTIAL FINANCIAL INCENTIVES, THE AVERAGE IRANIAN WORKER CANNOT AFFORD TO SPEND ANYTHING MORE THAN A TOKEN AMOUNT TO PURCHASE FACTORY SHARES. THERE ARE REPORTS THAT A PLAN IS BEING WORKED OUT TO IMPLEMENT THE SHAH'S PROMISE WITHIN THE MINISTRY OF ECONOMIC AFFAIRS AND FINANCE. AS MORE INFORMATION BECOMES AVAILABLE, THE EMBASSY WILL INFORM THE DEPARTMENT. IT SEEMS LIKELY THAT THE PERCENTAGES MENTIONED IN THE SHAH'S SPEECH WILL REMAIN AS NOTHING MORE THAN OFFICIALLY DESIRABLE GOALS, AND THE ATTAINMENT OF WORKER PARTICIPATION WILL BE CONSIDERABLY SMALLER. IRANIAN INDUSTRY HISTORICALLY HAS BEEN DOMINATED BY A RELATIVELY SMALL NUMBER OF WEALTHY FAMILIES. THE EMBASSY HAS LEARNED THAT ONE VERY PROMINENT IRANIAN INDUSTRIALIST IN THIS GROUP HAS TOLD HIS U.S. PARTNERS IN ONE VENTURE THAT HE EXPECTS NOTHING DRASTIC TO HAPPEN ANY TIME SOON; RATHER, HE ANTICIPATES A VERY GRADUAL IMPLEMENTATION, IF ANY, WITH A SIGNIFICANT NUMBER OF EXEMPTIONS, PARTICULARLY FOR JOINT VENTURES. ANYTHING OTHER THAN A GRADUAL ALTERATION OF THE PREVAILING SYSTEM WILL REQUIRE DETERMINED, AND PROBABLY DRASTIC, MEASURES BY THE GOI. THE EMBASSY DOES NOT FORSEE SUCH MEASURES AS BEING BY ANY MEANS IN THE OFFING.

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6. NO MENTION HAS BEEN MADE OF APPLYING WORKER PARTICIPATION TO BANKS, AND WE DO NOT EXPECT FINANCIAL INSTITUTIONS TO BE INCLUDED IN THIS SCHEME. NOTHING OFFICIALLY HAS BEEN SAID ABOUT THE POSSIBLE EFFECTS OF THE SCHEME ON COMPANIES WITH FOREIGN EQUITY INVESTMENT. WHILE THE EMBASSY HAS RECEIVED A FEW INQUIRIES FROM CONCERNED AMERICAN BUSINESSMEN, MOST SEEM TO BE ASSUMING THAT THE SHARE OF FOREIGN OWNERSHIP IN A JOINT VENTURE WILL NOT BE FORCIBLY DILUTED. THE REACTION OF THE TEHRAN BUSINESS COMMUNITY

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TO THE SHAH'S SPEECH HAS BEEN QUITE RELAXED. THE GOI AT THIS STAGE IN ITS DEVELOPMENT SEEMS TOO EAGER TO ATTRACT FOREIGN INVESTMENT TO SCARE OFF PROSPECTIVE PARTNERS WITH THE THREAT THAT A LARGE PORTION OF THEIR SHARES MUST BE OFFERED TO THE LABOR FORCE AND/OR THE IRANIAN PUBLIC.
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